

MONTANA BOARD OF HOUSING

301 S Park Ave. Room 226

Helena, MT 59601

March 10, 2008

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Susan Moyer, Secretary (Present)
Audrey Black Eagle (Excused)
Bob Gauthier (Excused)
Jeanette McKee (Present)
Jeff Rupp (Present)

STAFF: Bruce Brensdal, Executive Director
Mat Rude, Multifamily Program Manager
Chuck Nemec, Accounting & Finance Manager
Nancy Leifer, Homeownership Program Manager
Penny Cope, Marketing & Web Specialist
Justin Schedel, Operations Specialist
Gerald Watne, Multifamily Program Officer
Jeannene Maas, Training and Development Specialist
Vicki Bauer, Assistant Accounting & Finance Manager
Charlie Brown, Homeownership Program Officer

COUNSEL: John Wagner, Kutak Rock
Pat Melby, Luxan and Murfitt

UNDERWRITERS: Peter Nolden, UBS Financials
Mina Choo, UBS Financials
Gordon Hoven, Piper Jaffray
Jim Stretz, George K Baum

OTHERS: Sheila Rice, Montana Homeownership Network
Lyndy Loomis, Countrywide Home Loans
Tom O'Neill, Countrywide Home Loans
Deborah Charlton, USDA Rural Development
Julie Flynn, Consultant

CALL MEETING TO ORDER

Chairman, J. P. Crowley, called the meeting to order at 8:30 a.m. He asked the Board, staff, and guests to introduce themselves.

APPROVAL OF MINUTES

Jeanette McKee moved to approve the February 11 Board meeting minutes. Susan Moyer seconded the motion. The Chairman asked for comments. The motion passed unanimously.

MULTIFAMILY PROGRAM

Mat Rude said there were 9 applications for the Low Income Housing Tax Credits. He will be doing site visits of the projects. He will also talk about tax credits at a conference in Sidney on Friday.

The Reverse Annuity Mortgage (RAM) Program needs \$640,000 of authority to cover applications received and do 3 additional loans. Staff will have more information at the May meeting with suggestions on how to continue with the RAM Program and what parameters are needed. Jeanette McKee moved to give authority for \$640,000 for RAM loans through the May meeting and then review the Program. Susan Moyer seconded the motion. The Chairman asked for comments. The motion passed with Susan Moyer, Jeanette McKee, and Jeff Rupp voting in favor of the motion and Betsy Scanlin voting against the motion. Betsy's vote was based on a lack of evidence of current funds to meet this obligation.

FINANCE PROGRAM

Chuck Nemec gave the quarterly financial reports. He summarized the statistics presented to the rating agencies for the Single Family I Indenture portfolio and the Single Family II Indenture Portfolio. The Quarterly Investment and Diversification & Average Yield Report gives data as of December 31, 2007. Chuck also gave the Investment Report listing by maturity date and individual security.

Chuck and Peter Nolden commented that the current Investment Policy is strong and conservative and the Board did not make any changes.

HOMEOWNERSHIP PROGRAM

Nancy Leifer said the Montana Board of Housing (MBOH) received only about ½ the number of loans traditionally reserved in February. There is approximately \$10 million left in funds plus there is usually about 5% in cancellations. Peter Nolden gave a review of the current market conditions. Interest rates are up and bonds could not be sold to be competitive with the market. Hopefully, the dislocation of the market will correct itself in the next 2-3 months. This effectively means that the Board cannot issue bonds at this time. It is possible to recycle some of the prepayments to make new mortgage loans. Betsy Scanlin moved to authorize staff to use recycled loan funds for new mortgages when the regular bond funds are used up. There was no second to the motion. Betsy Scanlin moved to let staff use recycled funds based on the advise of financial council. Susan Moyer seconded the motion. The Chairman asked for comments. The motion passed with Susan Moyer, Jeanette McKee, Betsy Scanlin, and J P Crowley voting in favor of the motion and Jeff Rupp voting against the motion.

Betsy Scanlin, as Vice Chairman, resumed the meeting while Bruce Brensdal and J P Crowley talked with media representatives.

Recommended changes to the Administrative Rules included changing the requirement for recent financials within 60 days show a positive income to change this requirement to positive income on annual audited financials. The other change was to change the language to refer to loan servicing rather than loan origination. The final comment period ends March 14, so the Board can take action on the Administrative Rules at the next meeting.

Countrywide Bank requested approval as a participating lender. Tom O'Neill and Lyndy Loomis were representatives from Countrywide and gave the Board further information and answered questions. Jeanette McKee moved to untable the Countrywide Home Mortgage request from the last Board meeting to become an approved lender as part of Countrywide Bank.. J P Crowley seconded the motion. The Vice Chairman asked for comments. The motion passed with Jeanette McKee, J P Crowley, and Betsy Scanlin voting in favor of the motion to untable Countrywide's request and Jeff Rupp and Susan Moyer voting against the motion. The Vice Chairman asked for comments on the motion on the table to approve Countrywide as a participating lender. The motion failed with a unanimous vote against the motion.

J P Crowley resumed as Chairmanship presiding over the meeting.

Nancy Leifer presented the new income limits from HUD and the purchase price safe harbor limits for the IRS. Staff recommended adopting the new income guidelines and purchase price limits from mid-February, and not to accept the Economic Stimulus higher limits moving forward. Susan Moyer moved to adopt the staff recommendation. Jeanette McKee seconded the motion. The Chairman asked for comments. The motion passed unanimously.

Staff recommended discontinuing the policy of reimbursing individuals who qualify for recapture tax. Jeanette McKee moved to adopt staff recommendation. Jeff Rupp seconded the motion. The Chairman asked for questions. The motion passed with Susan Moyer, Jeanette McKee, Jeff Rupp and Betsy Scanlin voting in favor of the motion.

MBOH's policy for Minimum Standard for Private Mortgage Insurance (PMI) Coverage says the company providing the PMI must be rated AAA by a major financial rating agency and should say rated AA instead. Jeanette McKee moved to correct the policy for the company providing PMI insurance to reflect a AA rating for claims payability. Susan Moyer seconded the motion. The motion passed with Susan Moyer, Jeanette McKee, and Jeff Rupp approving the motion.

Nancy gave an update on Mortgage Backed Securities (MBS). Approximately 97% of the originators of conventional loans said that moving to MBS's would be no problem for them. In terms of Rural Development lenders, about 80% said it would be no problem. If you look at it based on rural provider versus general providers, in the Rural Development category only 60% said it would not be a problem. Nancy will give more information at the May meeting.

Montana Board of Housing and the Montana Homeownership Network received a \$277,000 grant award for additional funds for foreclosure prevention counseling.

Nancy gave an update on the Setaside Program. Staff requested allocating \$5 million in pre-Ullman

funds to put in the Pool for First Mortgages for borrowers getting down payment assistance. Jeanette McKee moved to accept the staff recommendation. Betsy Scanlin seconded the motion. The Chairman asked for comments. The motion passed with Susan Moyer, Jeanette McKee, Jeff Rupp, and Betsy Scanlin voting in favor of the motion. Jeff commented that when a setaside expires, program participants should know that it is not a given that the program will be renewed automatically.

Staff requested allowing access to the pool for First Mortgages for borrowers getting down payment assistance to extend to borrowers purchasing homes in land trusts on an ongoing basis. Betsy Scanlin moved to adopt the staff recommendation. Susan Moyer seconded the motion. The Chairman asked for comments. The motion passed unanimously.

EXECUTIVE DIRECTOR

Bruce Brensdal said the correct dates for the Statewide Housing Conference are June 10, 11, and 12 in Great Falls.

Penny presented the Housing Division Highlights and the press release for the meeting.

The next meeting is scheduled for April 7th in Helena. Future meetings are tentatively scheduled for May 5th in Crow Agency, and June 2nd in Pablo.

The meeting adjourned at 11:48 a.m.

Susan Moyer, Secretary

Date